



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 025 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, March 6, 2012

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Chair

The Honourable Rob Merrifield

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•(1100)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'm going to call the meeting to order. This is the last meeting in our study of the trade commissioner service. After this, we have legislation that has passed the House; the Jordan free trade agreement will be taken up on Thursday.

Today we have two blocks. In the first hour, we have two witnesses before us. In the second hour, we'll have one witness. We'll leave some time for an in camera session to give direction on the report in the last 15 minutes.

First of all are the two witnesses before us. We have before us Jacques Bonaventure.

Thank you very much for coming in.

By video conference, we have Brent Howatt.

Can you hear us all right, Brent?

Mr. Brent Howatt (Director of Sales, Koss Aerospace): Yes, I can hear you.

The Chair: Very good. You're coming through loud and clear as well.

Thank you for participating in the committee's work on this. We look forward to your testimony.

We'll start with the presentations and then go on to questions and answers.

We'll start with Mr. Bonaventure.

The floor is yours, sir.

Mr. Jacques Bonaventure (Director Business Development, Centra Industries Inc.): Thank you very much.

I offer my thanks to the committee for inviting me to meet with you. For just a couple of minutes, I'll provide some background on who I am.

I'm Jacques Bonaventure, director of business development for Centra Industries. We're an aerospace manufacturer based in Cambridge, Ontario. We are currently on our 19th consecutive year-over-year of profitable sales growth, a unique feat in manufacturing in Canada. We're very proud of that success.

Obviously, as an aerospace company we're an export-oriented company. I've been in this business for 35 years. To put things in perspective, I'm biased in the sense that I am an ex-Industry, Trade

and Commerce person. I was part of the department in 1982 when there was a divorce, and trade went to External Affairs. Before that time, trade was with Industry Canada. I was almost a de facto trade commissioner, so I have a soft spot for the service.

As I said, I have been in this business for 30-some years, involved in manufacturing with various companies in Quebec, Ontario, and British Columbia, and I have lived in Belgium. I was in the aerospace sector, making extensive use of the trade commissioner service over the years. Some of these people have become friends of mine. They've been very supportive.

I'm basically here to state that for manufacturers in Canada, these people are doing a great job. I guess you'll be asking questions, but as you know, there are locally hired and rotational trade commissioners, who are professional DFAIT employees. I have opinions on both.

Those are my remarks for now. If you have any questions....

To provide some more background, I'm a professional accountant and I went through military college at RMC in Saint-Jean, Quebec.

Thank you very much.

The Chair: Now we have by video conference, the director of sales for Koss Aerospace, Brent Howatt.

The floor is yours, sir.

Mr. Brent Howatt: I've just prepared a few words.

Good morning. My name is Brent Howatt. I'm pleased to be able to speak to you about the role the trade commissioner service plays relative to the success of our business, Koss Aerospace.

I'd like to begin by explaining what Koss Aerospace is. As our name suggests, Koss Aerospace is an aerospace company. It's located just minutes away from Pearson airport in Mississauga, Ontario. We are a fully integrated lean manufacturer of aerospace components and sub-assemblies. As a result of our owner's extensive investment in the latest technology and equipment, as well as training of our staff, we have maintained and advanced Koss Aerospace to keep up to date with the ever-advancing requirements of being an aerospace supplier.

Despite the fact that we currently have in the range of \$10 million to \$20 million in sales, we are relatively small in comparison to the customer base we serve. These customers include the likes of Boeing, EADS, Bombardier, Gulfstream, and numerous others. To remain viable and competitive means we must grow to afford the structure required to remain eligible on our suppliers' approved vendors list, and to compete internationally.

In the past our customer base has primarily been within the borders of Canada. However, both our customers and the market demand that we now do business internationally in order to succeed. In doing so, we have encountered numerous challenges, as would any other business at our stage of development. These challenges include difficulties connecting with key international customers, having the opportunity to present our abilities, understanding cultural differences, and getting access to accurate industry and customer information. Luckily we have had the trade commissioner service to support these activities. We have found that the trade commissioner service has provided us with valuable resources to support our global development efforts.

To date, as a direct result of working with the trade commissioners, we have obtained several million dollars worth of sales that are currently in production. This has supported our facility during the recent downturn in the economy and has allowed us to continue to add equipment and employees, so that we are prepared to be able to support our customers and potential customers upcoming new opportunities.

In addition, it has allowed us to retain our skilled employees. Not only is this key to the success of our business, it is also key to the success of the community of which we are a part. As a direct result of the efforts working with the trade commissioners, we currently have approximately \$100 million worth of quotations and potential opportunities with new and potential customers that have been identified and are in various stages of development. These opportunities are allowing us not only to grow our existing and new customer base, but also afford us the means to invest in the latest technology and equipment, which is paramount for us to remain competitive.

The trade commissioner service is a key in our arsenal of tools, making us a success in the aerospace industry. We at Koss Aerospace have been pleased with the efforts and support the trade commissioner service has provided to us. In addition to the first-rate events and the ability to bring real opportunities to Canadian manufacturers like ours, they've also established valuable and lasting international relationships that we benefit from on an ongoing basis.

On behalf of the Koss Aerospace team, I'd personally like to thank the trade commissioner service for their hard work and effort that has directly contributed to the many successes we are now experiencing.

I'll turn to my background. I have approximately 15 years in the aerospace industry. Prior to joining the Koss Aerospace team, I worked for Alcoa in various capacities, including in an aerospace capacity as well. Thank you.

● (1105)

The Chair: Thank you very much.

We'll move now to the question and answer portion of the meeting. We'll start with Mr. Masse for seven minutes. The floor is yours.

Mr. Brian Masse (Windsor West, NDP): Thank you. To both of our guests here, thank you for appearing before the committee.

If the Canadian trade commissioner service had some expansion of service, what would be the top two things you would like to see, or you would support? What would be the things to focus on to improve services?

Mr. Bonaventure, maybe you can answer, and after that, Mr. Howatt.

Mr. Jacques Bonaventure: I am certainly looking, as I said in my remarks, at the locally hired staff. What I have found over the years is that these people are passionate. They're in the country. They know their market. They want to help and they want to be engaged. One of the challenges they're having is how to actually engage their community.

As you've figured out, I'm in the same business as Brent, and we've been fortunate that the trade commissioner service has dedicated and focused resources on the aerospace side. In many countries there are full-time, locally hired staff—in China and Japan, to name a few, and Belgium, France, or the U.K., as well—who are solely focused on the aerospace side.

Obviously I have known these people for a number of years, but where they should try to do more, where the service can do more, is to get them a better understanding of who is doing what in Canada. If you're in the trade commissioner service, you know Bell Helicopter, Bombardier, Pratt & Whitney, CAE, and when they're doing their in-country visit or their outreach call back to Canada, the natural tendency is to focus on the larger company. The business model in our industry is that those large companies are doing less in Canada. They're more globalized, and doing more and more on the manufacturing side outside of Canada.

What they could do is actually get a better understanding of who's out there in Canada and who's their client.

For me the trade commissioner service is... I'm biased. I'm working for an SME with 400 employees, and they are there to serve us. I'm not sure how much value they do have for the Bombardiers of this world and the larger multinationals in our sector. At the end of the day, these large companies do have the resources and the capability to do what they need to do in the export market.

● (1110)

The Chair: Go ahead, Mr. Howatt.

Mr. Brent Howatt: I would have to agree with Jacques. Internationally, it's been an excellent arrangement, and the fact that there are dedicated individuals specific to aerospace has been very advantageous for us. On the international floor, I think that's been phenomenal.

However, to improve that, we've actually worked with our regional trade commissioner service to help coordinate with the international offices. That's provided us with a lot of value. We've created another step at Koss Aerospace, but it's provided us with additional value and the feedback and information we need to be successful.

To Jacques' point on getting coverage in Canada and taking advantage of opportunities within Canada, as the current structure stands it's hard to have that accomplished.

Mr. Brian Masse: Do either of you take advantage of Export Development Canada as well?

Mr. Jacques Bonaventure: In our case, we do, but it's not on the export financing or market development, but more on the financing side. They're part of our banking syndicate. In terms of using their services, our customers are the Boeings of this world—Gulfstream, Cessna, Bombardier, EADS. They're large multinationals that are well financed.

We don't have receivables issues. We don't have any bad debts. There are no collection issues in our business because we're dealing with very large foreign corporations.

We deliver the product. It's a short-cycle product. It's a manufactured product. It doesn't take years, so there's no need for work-in-progress financing, at least with our product.

Mr. Brian Masse: Okay, so you don't have a problem with access to capital then?

Mr. Howatt.

Mr. Jacques Bonaventure: Excuse me, Brent. I guess in our case we've been a fortunate story on financing. We're in our 19th consecutive year of year-over-year sales growth, so obviously when you're talking to bankers you're showing a success.

In December, 2010—and you know how bad things were in Canada in terms of the financial crisis—we were able to renew our banking agreement at a lower cost and expand our financing by \$20 million.

• (1115)

The Chair: Mr. Howatt, go ahead.

Mr. Brent Howatt: I would have to agree with Jacques. As far as the financing goes, that doesn't seem to be an issue. Customers pay well. That's not really an issue at all, so we have no issue in that regard.

The Chair: Very good.

Go ahead, Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

I want to pick up a little bit where Mr. Masse left off, but from another angle. I think most of us here on the trade committee have been associated with the trade commissioner service, both here in Canada and overseas. I think I can speak for the committee that most of us have a lot of respect for the ability of that service, the expertise that's involved there, and the corporate memory that a number of

these individuals have. It's extremely important when you're looking to expand in foreign markets.

However, at the same time we are looking at program review in various departments. I take note of your suggestion that they could do a better job with SMEs versus the large corporations that need less help, quite frankly. But what other areas would you see that could be changed that could actually be cost savings?

Mr. Jacques Bonaventure: Obviously at one point the government has to decide which sector it will prioritize. As I said, in our sector we've been fortunate. There are a number of focused individuals who are looking at our sector. I certainly wouldn't recommend that we look at that, but at the end of the day in some of the countries one can't be all things to all people, and then it becomes which priority sector the government wants to push forward.

Certainly it would maybe weed out some of the less-needed sectors, and as Canada evolves as a country, obviously in some of our historical sectors where we had strength, there may no longer be a natural competitive advantage for Canada. Therefore, maybe this is where there is less service needed and less coverage.

I have to agree with you, sir, on the corporate memory. For me, this is critical. We don't want to let individuals be stuck in their jobs forever, but at the same time it has proven valuable for us in terms of having people who have been there for six or seven years.

Just as a couple of examples, China and Japan are obviously far, foreign lands with cultural barriers where one needs to know the people. As people rotate in those companies, we need somebody on site who keeps the pulse on what's happening and what has been done before. So I think it's critical that those resources be kept in their jobs.

Mr. Gerald Keddy: Mr. Howatt.

Mr. Brent Howatt: I'd have to agree with Jacques. The trade commissioners with whom we've had the most success have a history with the actual customers we're dealing with. I actually find it a bit of a detriment when there is a change, because getting a new trade commissioner up to speed, where they visit the customers and where they have the relationships with the customers and the trust, is a long process. So if they're constantly rotating, one gets a huge disconnect.

A good example of this would be Japan. The trade commissioners in Japan have an excellent relationship with the customers. That's a situation where there is cultural bias. They do business differently from the way we do in North America, so having that cultural understanding and established relationship gives us credibility.

I would definitely support that we support trade commissioners in priority sectors for extended periods of time and make that happen.

The only area I would see where there could be an improvement is to have a matrix where there is a performance return on investment in an area. Something like that could prove to be value added. But I believe in the key areas there is a definite case for the return the trade commissioners are providing.

• (1120)

Mr. Gerald Keddy: In all honesty, there's no reason why trade commissioners in areas like China and Japan, where relationships matter and it takes sometimes decades to build those relationships, couldn't have a longer rotation period than in other parts of the world.

I have one more question that I would—

Yes, very quickly, please.

Mr. Jacques Bonaventure: I just want to add, going back on your question, sir, that we talked obviously about regions of the world and priority sectors, but I would certainly talk about priority markets. What I found over the years is that there are some aerospace resources focused in Africa.

Mr. Gerald Keddy: Okay.

My final question is.... I've always been intrigued. As a member from government, I've attended a number of trade missions and I've always questioned how useful and productive they are. Some seem to be very productive, some not so much. I'm wondering, from your own experience, expecting that most companies that attend these are paying their own dime to get there.... They are facilitated when they get there by our trade commissioner service and our trade commissioners or ambassadors are usually in the countries that are visited, and there is an agenda set out to try to hit priority markets.

In your experience, how have you found them over the years? Are they a very productive avenue and venue to find customers and expand your business, or are they more of a networking opportunity?

Mr. Jacques Bonaventure: I guess it's almost a bit of both in the sense that I know, again in our sector, there are some local resources who are very comfortable in their job. Are you getting my meaning?

Mr. Gerald Keddy: I understand.

Mr. Jacques Bonaventure: For some, it's like their job is on the line every day. They're passionate and they want to be engaged and to help. We talked about corporate memory, but maybe after six or eight years....

And I've just seen this in Spain. The case in Spain was not a case of an individual who was not performing. As a matter of fact, I was sorry to see him go. He moved from aerospace to ICT. He's locally hired and he's been there for five or six years. At the end of the day, it's good that somebody else comes in and takes over. Maybe after a number of years, some of them become too much at ease on the job and lose a bit of that fire.

I've seen this.

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

The Chair: Please go ahead. I'll allow you to add a quick comment if you want.

Mr. Brent Howatt: I agree with Jacques, and specifically to Spain, I agree with him in that situation across the board. However, I think it's just a matter of performance. There is always going to be the need to weed out some of the less productive, but I think that's something that could be done through other means. Having a longer reign in an area definitely provides value, because we find it's hard to replace that knowledge. It usually takes two years of being in a position before they understand the individuals and the companies that they're getting into, because it's not just a matter of the companies, it's the personalities that they're dealing with as well. We'd like to see longer reigns with people in those regions.

Obviously, there is some deadwood here and there, but I think that's a separate issue that a performance evaluation would separate out.

The Chair: Thank you.

Mr. Easter.

Hon. Wayne Easter: Thank you, Mr. Chair.

I was worried for a minute, fellas, that you almost fell into the trap that the parliamentary secretary laid. They're trying to find a way to cut back in a number of areas, when there are lots of areas that we could suggest to the government that they've the wrong priorities on, and trade commissioner service is not one of them.

On the last point, that there may be deadwood, that is a personnel problem, an individual-in-the-position problem. Let's come to the positions. Are either of you saying that some trade commissioners should go?

• (1125)

Mr. Brent Howatt: To Jacques' earlier comments, I think there are priority areas, and having resources is paramount in those areas so I wouldn't change that at all because it would be a direct detriment to our business if that happened. I find them a very valuable resource, and specifically, we know the areas that are key, and that's where we focus. I'd say those trade commissioners tend to get worked harder than ones that are placed in non-priority areas. I think if we did a review of those areas, we would see in aerospace regions, which is specific to our business model, those individuals are key, and they have worked extremely hard for us.

Since actively using their service, there has been a phenomenal inflow of potential to our business. We feel the return on investment for the trade commissioners we're dealing with has been phenomenal, and we have nothing but the utmost respect for those individuals.

Hon. Wayne Easter: Do either of you do business in the U.S. market?

Mr. Jacques Bonaventure: In our case, very much so. Our largest customers are Lockheed Martin, Northrop Grumman on the F-35, Boeing—Boeing is our largest customer—and Gulfstream. It's extensive throughout the United States.

Hon. Wayne Easter: Are these places you do business in the United States with pretty well spread right across then?

Mr. Jacques Bonaventure: That's right, from the west coast to the east coast, Savannah, Georgia, to Seattle, Washington State. In some of those areas, in the case of Seattle, there's a full-time locally hired person, Mr. Sheehan, who's been nothing but very good and outstanding about supporting us at Centra and me over the years. That's a case where, indeed, it is a priority market for Canada. Boeing is obviously the largest aircraft builder in the world with Airbus.

Hon. Wayne Easter: There's a fairly substantial rumour that the government is looking at closing eight consulates in the U.S. Would you see that as a problem, or how would you get around the trade commissioner side?

Mr. Jacques Bonaventure: In our business, as I said, we're dealing extensively with L.A., Seattle, and Dallas-Fort Worth. These are the three principal areas we're actually dealing with.

We're an established aerospace supplier, so for us in the U.S., the need is not as great in some areas. But obviously, the fact that we're the largest Boeing supplier makes it key that this individual in Seattle is always informed of what we're doing and what our agenda is, because these are voiced locally. We don't have anybody. We don't have any agent. I'm the pretty face for the company, if I may say so. I cannot be in all places.

Hon. Wayne Easter: Mr. Howatt, what about yourself and the U.S., your company?

Mr. Brent Howatt: Just Like Jacques has said, there are key areas in the States. Our customer base is pretty much the same. We're at an earlier stage of development, so for us the trade commissioners are still playing an extremely vital role. I work with them extensively. Not a day goes by where I'm not having at least two or three conversations with the trade commissioners.

For a company at our stage, we would require their services a lot more than Jacques would, because as far as his plan goes, he's further along in the development process. Where he's making a couple of contacts, we'll probably be making six or eight to get the equivalent portion of work done.

As well, we consider them an extension of our team because they are our eyes and ears, they have industry knowledge, and it's a resource that we don't have to pay for internally. Until we get to that point where we can afford those resources and have them on staff ongoing, the trade commission is allowing us to be very specific and very directed, and to spend our money wisely so that we're getting a very high success rate on our sales return.

We just did our numbers within the last month. What ordinarily would have been probably a 15% to 20% success rate, we're probably hitting around 75% to 85%. Now if that translates over into the hundred million dollars of quotation and prospects we have out there, it's the difference between allowing us to grow at the rate our customers require, or not.

I feel the trade commission gives us an advantage over our competing nations because whenever you go to visit these customers, you have competing services from France, from England, from all around the world, that are trying to get the ears of these

major customers. They're our first step in the door. Having them there gives us tremendous leverage. We're a huge supporter.

• (1130)

Hon. Wayne Easter: We will have to keep an eye on that in the budget to see what consulates are in fact closed and which trade commissioners go. You're basically saying that these folks are an extension of your marketing arm, from both a sales and a market intelligence point of view, I gather.

Mr. Brent Howatt: Exactly. Their credibility helps open that door. A lot of times when you're further along in the process, you've already got the relationship established, but getting that first door opened and doing that cost effectively.... On ventures where we've gone and done it ourselves, we're making seven trips. Recently, with the support of some trade commissioners, we did it in the first trip. That increases our productivity extensively. Mind you, there was three months' work leading up to that, but we had all the homework done, we knew what we were doing, and we were successful on our first trip to the customer.

So from a sales director point of view, for us, I see a huge return on investment for the trade commission.

The Chair: Thank you very much.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much, Mr. Chair.

Welcome to our witnesses.

I just want to follow up. Quite honestly, Brent, in terms of your discussion—also with Jacques—you're both SMEs and you both are talking pretty much the same language in terms of success. I have to tell you that's encouraging in what I would think is a very competitive business.

As we open up markets, we look at the trade commissioner service. How have you been able to stay competitive in a global market? You both talked about domestic and now your extension out into international markets. I'm wondering how small Canadian companies are being competitive to get the growth that you're talking about in international competitions.

Brent.

Mr. Brent Howatt: Okay, I can speak to that.

The trade commissioner service has given us the means to increase our success. Rather than having to spend extensively on resources and essentially representatives—and that sort of thing that can be extremely costly to the bottom line—we can invest in technology. We can invest in production people, which allows us to be competitive.

In aerospace, there is a high level of standards that have to be achieved. From the European side, Airbus drives the specifications; from North America, it's essentially Boeing that's driving the requirements. The requirements keep going up, so for a company our size, that's a huge expenditure in order to be competitive. Essentially what we're saving on the sale side and on the opportunities that are being created, we can put into technology to remain competitive. That's essentially what we've invested in during the last six years. It's an increase in technology so that we can be competitive.

Now, if you're not out there and you don't know what's going on in the market, it doesn't matter what technology you have. But with the trade commissioner service, they're a focal point for the international customers. Whether it's an IRB requirement that's being funnelled back, or whether they're just looking for competitiveness of a region, we're finding there's a lot of work. Canada is extremely competitive, because we've created an environment and have the exposure with those customers.

• (1135)

Mr. Bev Shipley: Jacques, I'd like to go to you. I won't ask you the same question.

I'm wondering if you can give us some indication, as we talk about trade agreements and opening up borders, and as you've talked about expanding from your domestic markets into more international ones, about whether this has been an advantage or a disadvantage to you? Can you just talk in short about that? I have another question.

Mr. Jacques Bonaventure: The aerospace sector has been trade-barrier free for 50-some years. There are a number of non-trade barriers, but trade agreements have not basically had an impact on our industry as there is no tariff on aerospace parts.

Mr. Bev Shipley: Can I just then move to the next one?

You've talked explicitly about the services of the trade commission, about how significant they are, so we can only focus on the aerospace right now. Are there countries in which you're trying to do business where there isn't a trade commissioner? How do you deal with that?

I'd like a quick answer from both of you on it.

Mr. Jacques Bonaventure: We're fortunate because in our business there are trade commissioners, consulates, or embassies in the countries where we want to do business. So for us it's not an issue.

Mr. Bev Shipley: So, Brent, I'm assuming that's the same answer for you?

Mr. Brent Howatt: Absolutely. Jacques and I are dealing in the same arena.

Mr. Bev Shipley: What do we deal with in your industry? To me aerospace has a connotation of being high-tech, specific, with little room for mistakes, because mistakes would yield negative results.

Let me talk about the trade commissioner services. Should it be focusing, or changing a bit of a focus, on promotion or trade assistance? Or is that balance there?

Jacques?

Mr. Jacques Bonaventure: I think the balance is there. Certainly trade assistance is key. I think if we had a choice of flying at 40,000 feet, which is where this trade promotion is, as opposed to trade assistance, it could be a trade commissioner in São Paolo taking me to Embraer and introducing me to people. That has more value for a company of our size than talking about the KPMG study and how great Canada is and how great of a nation we are in aerospace. Trade assistance would be much more focused for us and much more useful.

Mr. Bev Shipley: Okay.

I'm going to turn my last little bit over to Russ Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): How competitive is the TCS compared with what other nations provide? You have competitors from other countries that also have the equivalent of trade commissioners operating in the same areas. Do those trade offices for those countries provide services that we should be providing? Do you hear from them? Do you hear from members of the industry that they're getting support that we're not providing?

Mr. Jacques Bonaventure: I think we have a first-class service and I think it's recognized worldwide. In my sector, there's one aerospace person who's based at the U.S. consulate in Montreal.

Montreal is a centre for aerospace. There is a full-time U.S. person who does the same thing as our guys abroad. I've known the current individual and the previous one, and both of them were passionate about helping U.S. companies and making sure their U.S. suppliers or clients had access to Bell Helicopter, Bombardier, and Pratt & Whitney on this side of the border. The U.S. has a very strong trade service.

Mr. Russ Hiebert: Are they doing stuff that we're not doing?

Mr. Jacques Bonaventure: I don't think so.

Mr. Russ Hiebert: Do you have any comments?

Mr. Brent Howatt: I would say that our trade service is superior. The only situations I've heard of are relationship-based, so it's down to an individual. As far as the overall service and packages of supplies go, I've heard that in comparison with the U.S. system, ours is superior.

I was just down at O'Fallon Casting this past week doing a visit. Management had told me they don't even use the U.S. trade people because they're ineffective. They have to employ several regional reps, multiples with internal staff, to make up the difference. That's what they need to be equivalent.

So from our position, I'd see us as being highly competitive. We are able to leverage our trade commissioners to fill in a lot of those gaps and open the doors for us. That's a huge advantage and a cost savings that goes right to our bottom line, something we can put towards being competitive.

• (1140)

The Chair: Thank you very much.

Mr. Ravnignat.

[Translation]

Mr. Mathieu Ravignat (Pontiac, NDP): Thank you, Mr. Chair.

I would like to begin by thanking you for being here today. I believe it is an opportunity for us to see how we might go about improving service. So it is more or less with that in mind that I will be putting my questions to you.

A survey was conducted in my riding, the Pontiac, in order to determine how many businesses were aware of the existence of the Trade Commissioner Service. I must say that these companies knew very little about the services offered by trade commissioners. And this is what leads me to ask you a question regarding visibility.

Do you remember when you started using these services? How did you hear about the TCS? Furthermore, what might the TCS do to improve its visibility?

Mr. Jacques Bonaventure: Our company exports. We are, by definition, sensitive to the international trade dimension. I believe that the government is doing a good job in promoting the service. I do not know if that really answers your question. Companies in our sector are familiar with the Trade Commissioner Service.

Mr. Mathieu Ravignat: Could you put yourself in the shoes of another company?

Mr. Jacques Bonaventure: Are you talking about a smaller company?

Mr. Mathieu Ravignat: Are you of the opinion that the service's visibility is good in the case of a smaller sized company wishing to export?

Mr. Jacques Bonaventure: I believe so. I believe it is relatively easy today for anyone wishing to access the service, thanks to the Internet. The Foreign Affairs and Trade Commissioner Service website is quite well designed and is relatively user-friendly. If anyone wishes to access the service, it is not difficult to do so.

Furthermore, as Brent indicated, there are now regional representatives. There is one in Montreal and one in Toronto, and we deal with them regularly. There are resources outside the country and there are also local resources that help start-ups by providing guidance.

Mr. Mathieu Ravignat: What is your view, Mr. Howatt?

[English]

Mr. Brent Howatt: I would have to agree fully with Jacques on that.

Just to add to that, I think a lot of the companies need to make sure that they're qualified to work with the customers they're going after. In a lot of cases, it's not a lack of the trade commissioner service, but rather the companies aren't aware of the parameters they need to meet in order to be able to serve a customer.

It's really a partnership between the trade commissioner service as well as the company. The company— [Technical difficulty—Editor]

A voice: We've lost our feed.

[Translation]

Mr. Mathieu Ravignat: I would like to now move on to my second question. We might be able to come back to this, Mr. Howatt.

In the same context, that of attempting to improve service, I would like to talk about the length of the export process. As you are aware, the export of products or services is a lengthy process.

What have the stages and the length of the process been for your company? Did this extend over several years? In what way are trade commissioner services going to help in speeding up this process? We are really talking about the mechanics of exporting.

Mr. Jacques Bonaventure: It all depends on the market. I could talk about Japan. In our sector, there are three important players in Japan. We call them the heavyweights. They are Kawasaki Heavy Industries, Mitsubishi and Fuji. These are big players in this sector.

In the case of my company, Centra Industries Inc., we have been going over there regularly for two years. We have been to Japan five or six times, and in the case of at least two thirds of these trips, there was someone from the consulate or the embassy present during our meetings. These officials organized the meetings, and even when they were organized by myself, they were present to accompany us and to support the Canadian image we were trying to project.

This process can be lengthy. Firstly, one must identify a client and identify one of its needs. You need a good scenario. This can take two years. In certain markets—that of Japan, in particular—a company in our field that does not deal with trade commissioners has a very slim chance of breaking into the market.

• (1145)

[English]

The Chair: The time's gone, so please conclude very quickly.

[Translation]

Mr. Mathieu Ravignat: You stated that this can take two years. Is there anything trade commissioners could do to shorten this process?

Mr. Jacques Bonaventure: No, it is a matter of time.

[English]

That's the time it takes to do business.

[Translation]

In our field, the cycles are very long.

Mr. Mathieu Ravignat: Very well. Thank you.

[English]

The Chair: Mr. Holder.

Just to let the committee know, we're going to try to reconnect with Mr. Howatt by telephone if not by video. So he may come on in the middle of this.

Go ahead.

Mr. Ed Holder (London West, CPC): Thank you very much, Chair, and I'd like to thank our guests for attending today to give us some insights into your role with the trade commissioner service. I think with people who have actually lived it, it's much better, frankly, than the theory of how this all works and I'm going to come to that in a couple of my questions.

I'm curious, first, about your relationship with Mr. Howatt. It's not Mr. Bonaventure and Mr. Howatt, it's Jacques and Brent. You seem to get along. Are you...?

Mr. Jacques Bonaventure: We're all in this together.

Mr. Ed Holder: But are you competitors?

Mr. Jacques Bonaventure: This is Canada against the world.

Mr. Ed Holder: That's a refreshing attitude. The opposition parties could learn something from that. I appreciate you sharing that with us. That was very good.

Mr. Jacques Bonaventure: Something we've done—and this was one of the earlier questions—is move up the food chain. We used to be a parts supplier. We went into sub-assemblies, and today we're providing larger structures. As we get bigger we can support smaller companies. We invite everybody to visit us, especially our competitors, because at the end of the day the worst we should be are friendly competitors.

Mr. Ed Holder: That's honourable, and I salute your company and the industry for taking that approach.

It's rather interesting, because I was listening when my colleague opposite, Mr. Easter, asked a thoughtful question about the trade commissioner service in the United States, and whether that would have any potential negative impact on you. It's clear to me that we're trying to really focus our growth of the trade commissioner service in various emerging markets. We think that's positive and healthy.

You talked about the maturity of the relationship in the United States, and I was pleased to hear you say that the relationships you have in the States work well. You thought our approach—I'll interpret slightly—was working positively in the interest of your firm.

Here's my question. You're a boots-on-the-ground firm and it's not theory. So what comes first for you: the country you want to deal with in the aerospace industry, or the fact that we have a trade commissioner service somewhere and you kind of gravitate that way? Can you be practical about that?

Mr. Jacques Bonaventure: Is there a customer?

Mr. Ed Holder: That's where you go.

Mr. Jacques Bonaventure: Exactly. In our business, if we serviced every potential customer we wanted to, there would be no more than 50 on this planet. We're very focused. For us there are two things. Is it the right customer for us, and is there growth potential with that customer?

We talked about the cost of doing this international trade activity. There has to be potential. It can't be just a one-shot deal. We're an SME, but can we grow that customer to \$10 million a year in five years? If not, thanks, but no thanks.

• (1150)

Mr. Ed Holder: In that case—appreciating that the role of the trade commissioner service is to help companies expand their commercial advantage around the world—what would happen if you were interested in a market and there wasn't a trade commissioner service specifically in that country? How would you approach it? Would you go through the embassy? Would you use the expertise of

a TCS in a neighbouring area? How would you approach that practically?

Mr. Jacques Bonaventure: In our business there's a limited number of outstanding trade shows. For us it's Farnborough and the Paris Air Show, to name two. All of our potential customers attend and participate. Let's take Embraer in Brazil, and assume we don't have an aerospace presence from a TCS perspective in Brazil. I would certainly go to the Paris Air Show, go to the Embraer booth, introduce myself, and find out who was actually buying and who could be a customer for us within that company. You're talking about 5,000- to 15,000-person companies.

Mr. Ed Holder: Thank you.

Mr. Howatt, it's nice to have you back. It's rather interesting the way you were very complimentary toward the trade commissioner service and how it was helpful to you. You said that as a result of your relationship with the trade commissioner service your business had grown by several million dollars directly, and you got a \$100 million worth of quotations.

Could you have done that without the trade commissioner service?

Mr. Brent Howatt: We couldn't have done it in this timeframe. A lot of the opportunities are time sensitive. When you're dealing with a large organization, as Jacques has indicated, opportunities come and go. Being able to get in front of the opportunity at the right time is the difference between success and failure.

Ordinarily a cycle can take anywhere from a year-and-a-half to two years before you're in a position to do business with a customer. With Boeing, for example, within three months we were having the right conversations to have opportunities put in front of us. Ordinarily it would have taken up to two years to be involved. Having the trade commissioner service available helped us exponentially.

We don't have a large sales staff, and with a limited number of resources, we were able to accomplish this. I can't take credit away from the trade commissioner service, because it was directly responsible for assisting us and providing us with direction. That's why we're very complimentary of this service.

Mr. Ed Holder: Thank you both.

The Chair: Thank you.

Mr. Côté, we'll allow you to finish this off. Then we'll have to suspend a few minutes early to get ready for the next session.

Go ahead.

[*Translation*]

Mr. Raymond Côté (Beauport—Limoulu, NDP): Thank you, Mr. Chair.

My question will be for you, Mr. Howatt.

According to my research, you have been involved with Bombardier. I found it very interesting to hear Mr. Bonaventure praise, as you did, the merits of trade commissioners and talk about how exceptional our TCS is.

As far as free-trade agreement negotiations go, one can always wonder what advantages Canada gains if it does not equip itself with the assets it needs domestically in its own market. I am talking about support for businesses in order for them to be able to penetrate export markets, foreign markets.

Pierre Beaudoin, from Bombardier, reacting to the negotiations between Canada and the European Union, criticized a certain number of things. He found it unfortunate that we were not creating an environment conducive to the development of an industry in Canada, because our neighbour to the south has the Buy American Act. This obviously is less of a concern for you because it was railway equipment we were talking more about.

In short, he saw a certain competitive disadvantage in this regard. Your sector is obviously quite high-tech and specialized. Furthermore, I believe that you receive a certain amount of support from the government.

However, are you of the view that a greater amount of support could be provided to you domestically, in order to help you expand and seek out foreign markets?

I am thinking, among other things, of innovation and research and development, areas where, unfortunately, Canada does not seem to be doing very well. Could we begin with you, Mr. Howatt?

• (1155)

[English]

Mr. Brent Howatt: To remain competitive we have to expand research, development, and technology. If we hadn't gone down that path, once an opportunity was in front of us we wouldn't have been able to utilize it. Now we're doing a lot of that in-house to look at new ways of finding technology and the different avenues, as far as equipment and processes, available to us. But these companies are quite often supported by trade commissioners as well, who put them in connection with us.

It is a spider web. I agree with you that we won't remain competitive without the technology and further research. That's how we're remaining competitive. As a sales director, I feel I'm getting exceptional value on that side of the business through the trade commissioner service.

These are all important aspects, but the trade commissioner service has really helped us in that regard.

[Translation]

Mr. Raymond Côté: Given the fact that some countries invest heavily in their companies—in fact, foreign governments actively support their aerospace industries—are you of the view that Canada is doing enough, notwithstanding the professionalism of the Trade Commissioner Service?

[English]

Mr. Brent Howatt: As far as the technology and supporting that aspect is concerned, more could be done. I feel we are maybe lacking in regard to some of that. We've had to do that internally.

It is a very competitive market out there, especially with the region of low-cost manufacturing, because not only do they have the labour component, they're investing heavily in technology as well,

and the large OEMs are investing in those areas as well. That does put us at a disadvantage.

Within the next five years, we're going to be okay. Long term, I think it's going to affect us to a greater extent because they are developing at a lot faster rate than we are. Not only are they piggybacking on our technologies and we're bringing them up to speed, but they're also investing heavily, bringing in the best and the brightest from around the world and the latest technology. The industry has really changed over the last decade, and long term, I think that's going to be a larger threat.

The Chair: Thank you very much.

Thank you, Mr. Howatt. I'm sorry about the glitch in the communications, but I appreciate you visiting with us on video conference.

Mr. Bonaventure, thank you for coming in.

With that we'll suspend this portion of the meeting and set up for the next hour.

Thank you.

• _____ (Pause) _____

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• (1200)

The Chair: We'll call the meeting back to order.

First of all, we want to thank you, from the Asia-Pacific Foundation of Canada, Mr. Yuen Pau Woo—I hope I've pronounced that half right—president and chief executive officer. We thank you for joining us from British Columbia on video conference.

Can you hear us all right?

Mr. Yuen Pau Woo (President and Chief Executive Officer, Asia-Pacific Foundation of Canada): Very well, thank you.

The Chair: Very good.

You're coming through loud and clear here.

We have about 45 minutes, not quite, for this presentation. We'll allow you a few opening comments and then we'll get right into questions and answers.

The floor is yours, sir.

Mr. Yuen Pau Woo: Thank you, Chair.

Good afternoon, members of the Commons committee on international trade. It's a pleasure to be invited to give some comments on the Canadian trade commissioner service.

Let me start by saying a few words about the Asia-Pacific Foundation and how we interact with the trade commissioners around the world. The Asia-Pacific Foundation of Canada is a think tank on Canada's relations with Asia. We were set up by an act of Parliament in 1984. We function as an arm's-length agency to help promote stronger ties between Canada and Asia. Much of the focus, but not exclusively, is on the economic relationship. Hence, we spend a lot of time thinking about how Canada can improve its trade, investment, and financial connections with Asian countries.

We connect with the trade commissioner service in two ways. We connect with them in Canada and in the field. Of course, in our case, we're talking specifically about Asian countries. In Canada, the work of the foundation is very much tied to the international trade offices that are situated across the country. Our mission to help Canadians better appreciate the importance of Asia for Canada's prosperity means that we work with clientele similar to those that the trade commissioner service works with.

This afternoon I'm heading to Saskatchewan, where we will be holding events in Saskatoon and Regina, meeting with the business community, civil society organizations, and educators to talk about why Asia is vital to Saskatchewan's future. The province knows that already, and many businesses are looking to Asia for economic opportunities, but there will be some in the room who are not as familiar, and not yet selling to Asia. This is the clientele that is of great interest to the trade commissioner service.

In many respects we provide a feeder service to the trade commissioners through the regional trade offices across Canada. We also work with the trade commissioners in the field. In that situation, typically we go to them for their ideas and advice on market intelligence and economic prospects for whichever economy we are looking at. We also go to them for advice on key contacts in different sectors.

I should stress, though, that the foundation is not an industry organization and we're not a consulting firm. We don't charge for our services on a commercial basis, and we don't work on the nitty-gritty of marketing and sales. We are very much involved in the broader issue of Canada-Asia policy development, particularly on economic issues.

I have found the trade commissioners in the field to be a very good source of intelligence, knowledge, and a feel for the pulse of what's happening. That information helps us at the foundation to do our research, to come up with ideas on the Canada-Asia economic relationship, and to give advice on policy, strategy, and economic relations more broadly.

Let me conclude quickly with my impressions of the Canadian trade commissioner service, underscoring that our connection with the trade commissioners, as I've explained, is perhaps one step removed from the front-line work that they do. We're not direct clients of the trade commissioners; rather we are partners and interlocutors.

In my many dealings with trade commissioners throughout Asia and in Canada, I found them to be extremely professional. I think they provide very high-quality advice to their clients. I've met many businesses that would share this sentiment and would give credit to the trade commissioner service for the business they have developed in various markets.

• (1205)

I particularly like the modernization of the trade commissioner service that I've seen in recent years. First of all, the focus on sectors, so that they are not too dispersed in their activities, requires some degree of judgment and selection, but I think it's a useful way to try to focus their efforts and to try to target winners, if you will, in the Canadian export scene.

I'm also impressed by the attempt to broaden their range of outreach mechanisms, particularly the use of the world wide web. I am a subscriber to some of their products. The virtual trade commissioner service, I think, is a good product. It requires constant updating, and they seem to do that pretty well. The various market sector reports or industry sector reports—I have not looked at all of them, but the few I've looked at seem to be quite high quality.

So if I could sum up, the trade commissioner service as a partner for the foundation, as a source of intelligence and information, and as a downstream provider of services for the people we work with, I think is excellent value for the Canadian public. Trade commissioners are particularly helpful to the small and medium-sized enterprise community. I wish them well.

Thank you. Those are my very brief comments. I look forward to the discussion with the committee.

The Chair: Thank you very much for that presentation.

We'll now start with questions and answers.

Madam Pécelet.

Ms. Ève Pécelet (La Pointe-de-l'Île, NDP): Thank you very much, Mr. Chair.

Thank you very much to the witness for being here with us today.

My question will concern one of your articles talking about China's increasing need for natural resources to fuel its rapid urbanization. Is the trade commissioner service working both ways? I mean it helps Canadian companies to invest in China, but does it help Chinese companies to come to Canada? Have you ever heard of any situation like this?

• (1210)

Mr. Yuen Pau Woo: Yes, I believe they include inward investment, investment into Canada, as part of their broad coverage. But I believe there is a special unit within the Department of Foreign Affairs and International Trade that puts particular emphasis on investment attraction. Then when it comes to investment in particular sectors—say the mining sector, aerospace, or automotive parts—there are other groups within the Government of Canada, particularly Industry Canada, that have expertise to help inward investment.

The other agency I'm aware of that does a lot of work in attracting inward investment is Export Development Canada. Of course, it has some financing tools to help inward investment happen.

The key, of course, is that all these agencies work together. I've seen them in action and it looks like they do work together, and that's absolutely crucial because the investor not only will want to make sure about the raw commercial potential but also will want to know about the regulatory framework, and Industry Canada comes in there. They will want to know about financing mechanisms—and EDC might come in there—and other issues that other agencies of government need to weigh in on.

Ms. Ève Pécelet: Okay.

You were talking about the capacity for first nations to interact with Chinese clients. Is this service provided by the trade commissioner service? Do you have that possibility through the consulates or this service?

Mr. Yuen Pau Woo: I really can't speak for the trade commissioners, but I'm sure they seek to serve all Canadians including first nations communities. Our work with the first nations suggests to me that they are very keen to develop economic opportunities with Asian countries, and they will spend more effort in the years ahead to seek out these opportunities.

It would not surprise me if they would go to the trade commissioners for help. I suspect the first nations groups will want to organize their own missions and activities, and they will need all the help they can get.

Ms. Ève Pécelet: You are a trade expert and have an amazing background. You've been pushing for a free trade agreement between Canada and China. You were talking about regulation and regulatory systems. We both know that Canada and China are not the same, so what will be the benefit for Canada to sign a free trade agreement with China?

We all know that most American companies are doing business in China, and you're going to be able to benefit from our oil and resources. What's going to be the benefit for Canada to sign that kind of agreement?

Mr. Yuen Pau Woo: I didn't come fully prepared to discuss a Canada-China free trade agreement, but let me give you a brief response.

I've actually been very cautious about advocating free trade with China and have, in the past, promoted more of a sectoral approach that focuses on the specific areas where Canada has expertise, and where China has obstacles to Canadian exports. But I was very surprised to find recently, when the Prime Minister was in China, that his counterparts from the very top, the president and the premier, offered to let Canada enter into free trade negotiations with the People's Republic of China.

That, to me, is a very extraordinary offer. The Chinese, as far as I know, have never offered free trade agreement negotiations with a western country, and they seem to have dropped all preconditions for the beginning of such talks. This is really an extraordinary offer that Canada should look at very seriously.

On the face of it, if we are able to achieve the removal of barriers on both sides, Canada has more to gain than China, simply because there are more barriers in China than there are in Canada. What we import from China—manufactured goods, consumer items, machinery and equipment—generally enters either tariff free or under very low tariffs. So there is not much we can give the Chinese anyway.

On the other hand, in the areas where Canada has great expertise—advanced manufacturing, services, education, distribution, supply chain management—all of these areas are growing very fast in China, and all of them have various levels of protection, either protection at the border or protection through regulations and administrative requirements that make it hard for Canadian businesses to succeed.

As I say, in fact the Chinese are sincere about opening up their market and negotiating with Canada, and we can get concessions in these areas that are now so tightly controlled, we stand to benefit a lot more I think than the Chinese do.

•(1215)

The Chair: Thank you very much.

Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you very much, Mr. Woo, and happy year of the dragon.

I have the honour of being the co-chair of the Canada-Taiwan Parliamentary Friendship Group, and we have another new year's party tonight. They just keep going on and on. They celebrate in great style and it's exciting, the opportunities that we have in Canada with our Asian partners.

As a member of Parliament for Kelowna—Lake Country, I think I had the chance to meet you once at one of the minister's regional events, and Minister Fast, as the Minister for the Asia-Pacific Gateway, is also the Minister of International Trade, as you're well aware. On his recent trip to China he was very cautiously optimistic about moving forward with trade with China. But maybe you could expand a little bit more about the Asia-Pacific partnership and the reason it's so important for Canada to expand our trading opportunities.

As you know, one in five jobs is based on trade, and maybe you could share with the committee the economic opportunities for Canada out of the Asia-Pacific Gateway.

Mr. Yuen Pau Woo: Thank you for your question. It's good to see you again, even if remotely.

Asia is vital for Canada's prosperity. We've known that for a long time, but we saw this really come to roost after the great recession of 2008. Many of you will be familiar with what happened right after our exports to the world fell dramatically. They fell to all of our traditional major markets, particularly the United States and the EU. They fell to Africa. They fell to Latin America and Central America, but they did not fall to China. In fact, in the case of China, I believe exports went up by something like 27% in 2009, when the rest of the world was in its doldrums.

That same upward trend continued through 2010-2011, to the point where Asia as a whole, and China in particular, has become a much more important source of demand for Canadian exports than I could have imagined five years ago. In British Columbia alone for the year 2011, Asia has exceeded the importance of the United States as a trading partner. That's extraordinary. I could not have dreamed this would be possible.

Now, this may not be permanent, because the U.S. is recovering—and we should all hope that the U.S. recovers quickly. But I think something fundamental has changed. You might say a tipping point has been reached, and Canadian companies across the country now understand that Asia is not simply a secondary, or peripheral, or some kind of buffer market. It's central to the corporate and the economic strategies, at the firm level, at the industry level, and as you say, at the country level.

In order for us to take advantage of these opportunities, we have to market very aggressively, of course, but the framework for our companies to market successfully comes from strong diplomatic, political, and trade relations. One way of developing these relations is by having trade agreements, economic agreements, investment agreements, investment protection agreements. There's a whole range of them. They can be summed up in the term "free trade agreements", but you don't necessarily have to go the whole hog, if you will.

One of the most important agreements, which we are now seeking to enter and Minister Fast is working very hard to get us into, is the Trans-Pacific Partnership. It is a group of nine economies from around the Asia-Pacific region that are working toward a free trade agreement that covers the entire Asia-Pacific basin. The United States is part of that group, and Mexico and Japan want to join, along with Canada. It's vital that we put our best effort in getting in, because if we don't, we could be left out of what might amount to the premier Asia-Pacific trade agreement.

As it is, we have zero free trade agreements with Asian countries, so we have a lot of catching up to do.

• (1220)

Mr. Ron Cannan: Thank you for that fulsome answer. I know that is very important in my riding with Kelowna Flightcraft, so from aviation to agriculture, whether it's cherries or ice wine getting through to various countries.... I know that blueberries for Minister Fast in British Columbia and other agricultural products are very important for the additional market.

We're talking about the trade commissioner service today, and you mentioned the great service they're providing in certain markets. Expanding on the TPP, the Trans-Pacific Partnership opportunities, do you feel that the trade commissioner services are located in the right countries, and are there any services that could be improved upon?

There are two questions there.

Mr. Yuen Pau Woo: I don't have a comment on location. I haven't studied it carefully enough.

It seems to me that everywhere I go, they are there, so I think coverage is strong. But it should not be static. As Canadian companies become more adventurous and successful, as they venture into other parts of, let's say, China, India, and southeast Asia, the government has to think about also expanding its presence into these new frontiers, if you will.

One of the big challenges for Canada is that we're latecomers when it comes to building markets in Asia. Being a latecomer means many of the good opportunities may be taken up already. It's very important that we always look for frontier markets and try to be at least on par, if not ahead, of the competition. There are many areas in southeast Asia, in particular, where we could try to be ahead of the game.

In terms of suggestions, I just want to throw one out for discussion. The trade commissioners probably are as close to industry as any branch of government. They have to be in order to be of service to industry. I think it would be of good value for the trade commissioner service to expand on interchanges with industry to,

from time to time, embed trade commissioners into industry associations, maybe into companies for short stints, and then have them go back into the public service, so that they get a better understanding of the real challenges at the industry level. This kind of cross-fertilization could be very good both for the trade commissioners and for the private sector.

Mr. Ron Cannan: Excellent. Thank you very much.

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter: Thank you.

And thank you for your presentation.

While we're on the trade promotion side, from your perspective—and you've obviously been involved in this for a considerable length of time—where do you see the greatest trade, greatest potential markets in China, in terms of basically commodities, businesses, and industries?

Mr. Yuen Pau Woo: Thank you, Mr. Easter.

China is a huge market. It's hard to generalize. When it comes to natural resources and commodities, as you say, really the Chinese will buy as much as we have to supply, to put it very crudely. For us, the concern is the commodity prices rather than the amount of demand.

We have been in a super cycle, if you will, for a number of years now, which has been very good for many parts of the country and has brought great wealth to Canada. But commodity prices go up and down, and it's important that we not rely solely on the natural resource sector.

My view of the emerging opportunity in China is in the services sector, which I think is an area where Canada has great potential and great expertise.

Let me just back up a little bit to say that the big sector between commodities and services is, of course, manufacturing. Generally speaking, we haven't done very well in terms of manufacturing exports to China. Of course Bombardier is successful. We've had a bunch of telecom companies that sell equipment to China, but by and large we haven't had the success that the Europeans, even the Germans, the French, the Italians, or the Americans have.

Our auto parts and automotive sector has been absent from China until fairly recently because of the exclusive focus on the North American market. We just haven't had the kind of presence in China that other countries have had. That's partly because we don't have a large manufacturing sector to start with.

I believe that as the Chinese increasingly move towards more domestic demand-driven growth, if they try to improve the quality of life of their citizens, they are going to look towards an expansion of the services sector—retail, distribution, education, professional services, all the things that go into the quality of life. This is where I think we have great potential, and where I think that, if we are able to negotiate an agreement with China that gives us preferential access in some of these service areas, we can actually leapfrog over the competition.

• (1225)

Hon. Wayne Easter: Thank you.

You are absolutely right on the size of the market. I did have an individual from China come to Prince Edward Island to look at the potato industry, which might be able to supply their dehydrated potato market. The problem was that at the end of the two-day series of meetings, the individual would require all of Prince Edward Island's potatoes, all of New Brunswick's, and all of Maine's. It was too big a market for us to service.

On the trade commissioner side, do we have enough trade commissioners in China, or do you believe we should expand that area? It is a big country. There are lots of opportunities there. In an area I see as a problem, where do you see we're going to be left in the Chinese grain market with the loss of the Canadian Wheat Board? I know the others on the other side will laugh at this, but the fact of the matter is the Canadian Wheat Board gave us a huge leg up in China in that it was the only agency that would provide credit to the Chinese following the revolution. Their importing agency swore by the Canadian Wheat Board in terms of supporting it, and it was a good agency to do business with.

Do see any consequences there as a result of the government's demise of the Canadian Wheat Board here as a single-desk selling agency? You are dealing with a single desk in China as well.

Mr. Yuen Pau Woo: On the question concerning trade commissioners, I don't have a strong view on whether there should be more, or where they should go. I think the department is in a much better position to assess the emerging needs. I already see they are using various ways of amplifying their presence by partnering with industry organizations on the ground. I think that's a very good strategy. I think more of that can be done.

The Chinese remember our wheat sales to them in the 1950s and 1960s, at a time when China was shunned by the world. That will, for a very long time, be an anchor of the relationship and a reason why China holds Canada in special regard. I think the demand for commodities, including cereals, will increase and Canada will be a preferred supplier for a long time to come.

It's not clear to me that domestic restructuring in Canada will change the way they look at Canadian supply. The Chinese are very careful to not want to interfere in the domestic affairs of other countries. They are very respectful and sensitive to what they would call internal issues. They will also be clear, I think, if they find that the trading arrangements are not suitable, or have changed and do not suit their interests. We in turn have to be sensitive to their needs.

The fundamental supply-and-demand equation is not changed. Their requirement for grain and other commodities is overwhelming. We have to organize ourselves so that we can meet that demand in a way that benefits Canadians.

• (1230)

Hon. Wayne Easter: Thank you.

The Chair: Thank you very much. You are very astute at not wading into the political bait that was thrown there.

Mr. Keddy, it's your turn.

Mr. Gerald Keddy: Thank you, Mr. Chairman. I will stay away from the Canadian Wheat Board.

I was intrigued, Mr. Woo, by your opening comments on the virtual trade commissioner service. I would appreciate it if you could just drill down a little deeper into that. It's user-friendly, but how responsive is it? How quickly do you get answers? Could you just explain that a little more?

Mr. Yuen Pau Woo: Unfortunately, I can't speak from direct experience in terms of getting a quick response. I'm not in the business, of course, of trying to sell stuff to markets, so I've never put in requests. What I've done is access the market intelligence reports, the sector reports. I receive some of the bulletins they put out. I have surfed the website. All of that seems to be very good.

I think the big challenge they face, of course, is to not duplicate the efforts of the many other groups out there, both commercial and non-commercial, that put out similar information. This is an obvious thing to say, but with the Internet being such a prolific source of information, there's always the risk that the virtual trade commissioner service is simply repeating what's already out there. I think they're sensitive to that.

The way they can provide real value and find a niche is, of course, to look for the Canadian interests. When I look for market intelligence on a particular sector, there is, in fact, lots out there, but much of it is oriented to American, European, or other interests. To the extent that we can really home in on what Canada has to offer, I think there's a need for this continued service.

Mr. Gerald Keddy: Thank you very much.

I'm going to share the rest of my time with my colleague, Mr. Hiebert.

Mr. Russ Hiebert: Thank you.

It's good to have you here as a witness. As a member of Parliament from the Lower Mainland, I always appreciate the service you provide to our community and to our country.

As I was reflecting on the work you do, I was wondering how you gauge your success as a think tank. The TCS looks at the number of companies they introduce to foreign opportunities. But as a think tank, how do you determine whether you're making a difference and whether you're accomplishing your goals?

Mr. Yuen Pau Woo: That's a bit of an existential question. I'm happy to give you my stab at it. I'd be interested to hear from you and your colleagues how you would measure our success, too.

Right now we've launched a major campaign across the country. Many of you are aware of it. It's called the national conversation on Asia. I'm off to Saskatchewan this afternoon to launch the national conversation in Regina and Saskatoon. We've done some events, literally across the country, from the east coast to the west coast to the north. What we're trying to do is get Canadians thinking about the importance of Asia, and talking about why it matters to them in their very particular interests—for their companies, for their schools, for their families, for NGOs. Then we're trying to effect change through new policy, business strategies, white papers, committees, and action.

I can tell you, Mr. Hiebert, that this national conversation on Asia is driven entirely by civil society. It's funded exclusively by the private sector. To me, that in itself is success. Getting Canadians, on their own accord, through private sector money, to act on the importance of Asia is a measure of Canadians taking this work seriously.

That's at the grassroots level. I would say that at a more abstract level, we would measure success in terms of the level of awareness and sophistication among Canadians with respect to Asia. We measure this through national opinion polls. We will release the results of our 2012 poll in about a month's time. Because we've been tracking Canadian attitudes towards Asia for six or seven years now, we can provide a time series and some indication of change. I'd be happy to share the results with the committee if there's interest. We'll look to that for some kind of success.

Finally, and we can only take a very small amount of credit for this, I've seen in the last number of years growing interest, support, and action on the Asia file from all levels of government and from the policy community, broadly speaking—the bureaucratic community, the policy analysts, of course, the political class. There's real interest in Asia. We can only take a very small part of the credit for that. But I think we're part of a group of concerned Canadians who want Canada to be more truly an Asia-Pacific country rather than just a country that is on the Pacific coast.

• (1235)

Mr. Russ Hiebert: That sounds very comprehensive, the work you're doing. Do you focus on any particular countries of interest, or do you try to spread your resources across all of Asia?

Mr. Yuen Pau Woo: The mandate we were given by Parliament was to cover all of Asia, but we cannot do that. In practical terms, we focus on the big three in Asia: Japan, China, and India. Then to the extent that our resources allow we look at South Korea and the ASEAN countries—the Association of Southeast Asian Nations—also two additional groups of countries that we focus on.

One thing I should say is that I've talked mostly about the economic relationship, and that's central and a driver of Canada-Asia relations. But as the foundation, as a group that tries to really understand what's happening in Asia, we make a very big point of stressing that the Canada-Asia relationship has to be taken in its totality.

The economic relationship is key, but we also pay very close attention to the political and diplomatic relationship, to institutional security and military relations, and above all to the people-to-people relationship—the human ties, which Canada has with Asia in a way that no other western country has. Our people-to-people ties in my estimation are longer, deeper, and more profound than any other western country's. That's an asset we can use, but haven't used quite as effectively as we could have.

The Chair: Thank you very much. We have only five minutes left.

We'll be splitting our time between Mr. Masse and Mr. Côté.

Mr. Masse, the floor is yours.

Mr. Brian Masse: Thank you, Mr. Woo.

And thank you, Mr. Chair.

You noted our manufacturing not being able to penetrate into China. Our manufacturing export deficit has gone from \$18 billion in 2005 to \$80 billion now. I'm just wondering whether there are things the Canadian trade commission service can enhance or do to look at trying to get some of our value-added products penetrated into China.

I wonder as well if they should be working on reciprocity. Obviously environmental, human rights, and labour rights can be used as a competitive advantage to compete against our Canadian companies. Could you touch on that? Then Mr. Côté has a question.

• (1240)

Mr. Yuen Pau Woo: Thank you for your question. I think the cluster or sector approach is probably the way to go. As Mr. Easter mentioned previously, the scale of Chinese demand, and Asian demand more broadly, is sometimes so overwhelming that our companies—whether in the commodities, the manufacturing, or the services sector—find it very difficult to meet those needs and can only meet those needs sometimes by being part of a consortium, or part of a large project that in many cases is not linked to Canada. It may be an American consortium or a European consortium to which a Canadian manufacturer is supplying a particular widget, technology, or service.

I think it's very important that we take that broader approach, find big projects, assemble consortia, assemble industry alliances, look for counterparts in Asia that have interests in this broader range of services and products, and then try to market en masse, if you will. It's a different way of doing things. It's also, I think, sometimes difficult for individual companies to take that approach because they lose a bit of control. You know they have to be part of a different group and so on. But I think that's one way to go.

I am a firm believer in reciprocity, but we have to be specific about what we mean when we talk about reciprocity, rather than use it either as an excuse for not doing anything or as a reason to criticize trading partners. That's why I think it's so propitious that we have this opportunity to begin thinking about a free trade agreement with China, because now we can tell them exactly what areas of reciprocity we are looking for, and how we can get our markets into their products.

On the question of environment and labour and so on, we have to maintain the standards that Canadians expect of our companies, and when production is done in Canada. I believe we have little or no control over labour, environmental, and other softer issues in trading partner countries. I think our best hope there is that, by example and by the process of economic development, these countries will demand for themselves higher standards for the benefit of their own people. In China, we see that happening on a daily basis.

The Chair: Thank you.

Mr. Côté, you have time for a very quick question and a very short answer.

[Translation]

Mr. Raymond Côté: Thank you, Mr. Chair.

I would like to ask a follow-up question on the China file. I must confess that I very much liked your perspective of a sectoral approach. You talked about the enormous needs of the Chinese market.

In view of the professionalism shown by the Trade Commissioner Service, do you believe we should proceed step by step rather than going full throttle into a free trade agreement with China? Indeed, we must take into account the disproportionate size of our respective markets and the enormous needs of China, especially raw materials. This could work against us, as my colleague Brian mentioned, work against our manufacturing sector.

Mr. Yuen Pau Woo: Thank you for your question.

My apologies, but I do not speak French.

[*English*]

I think the offer of a free trade agreement from the Chinese is quite extraordinary. It allows us to begin, exactly as you said, the step-by-step, incremental approach to understanding all the opportunities and all the threats that Canada would face, if we were in fact to have such an agreement.

The first thing we have to do is to respond to the Chinese that we want to have that kind of conversation. I don't want to underestimate the difficulty in terms of the negotiations, as well as the political support that's needed domestically, for the free trade agreement to take place, but the door has been opened in a way that it hasn't been opened for any other western country. Most other western countries are pleading to have this opportunity. We have been offered it.

I am really not as pessimistic as you might seem to be on the manufacturing sector in the sense that most manufacturing imports to Canada already come into this country either tariff-free or with very low tariffs. So I can't see what more we would give the Chinese in terms of tariff-free access. We're not going to lower our standards, for sure, in terms of quality and safety and so on. That's non-negotiable. So in terms of border barriers, there's not a lot to give.

Secondly, there isn't a fundamental competitive threat between China and Canada in the manufacturing sector. We don't make toys, we don't make shoes...or we don't make many shoes, I should say. There are some companies here in B.C. that make shoes, and in Ontario and Quebec and elsewhere, but there isn't a fundamental clash like there is between China and the United States.

I think there is compatibility and a lot of opportunity for a mutually beneficial deal.

●(1245)

The Chair: Thank you very much, Mr. Woo. Thank you for your presentation and your answers. I think the committee found them very informative.

Mr. Yuen Pau Woo: Thank you. *Merci beaucoup.*

The Chair: I appreciate you taking the time out of your schedule to be part of this committee's work. Thank you.

We'll now suspend the meeting as we clear the room for an in camera session.

[*Proceedings continue in camera*]

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